MUNICIPAL FINANCING CORPORATION OF SASKATCHEWAN

1990 ANNUAL REPORT

MUNICIPAL FINANCING CORPORATION OF SASKATCHEWAN

ANNUAL REPORT

For the Year Ended
December 31, 1990

This Annual Report is printed on paper made in Saskatchewan.

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LETTER OF TRANSMITTAL

Regina, Saskatchewan
March 15, 1991

To Her Honour
The Honourable Sylvia O. Fedoruk, O.C., S.O.M.
Lieutenant Governor of the Province of Saskatchewan

Madam:

I have the honour to submit herewith the Annual Report of the Municipal Financing Corporation of Saskatchewan for the year ended December 31, 1990, in accordance with **The Municipal Financing Corporation Act**. The financial statements are in the form approved by the Treasury Board and have been duly certified by the Corporation's auditors.

I have the honour to be, Madam,

Your obedient servant,

L. H. Hepworth
Minister of Finance
and Minister Responsible
Municipal Financing Corporation of Saskatchewan

MUNICIPAL FINANCING CORPORATION OF SASKATCHEWAN

BOARD OF DIRECTORS

Honourable L. H. Hepworth
Chairman

Honourable N. H. Hardy
Vice–Chairman

Honourable H. A. Martens

Honourable J. T. Wolfe

OFFICERS

Mr. W. D. Jones
General Manager

Mr. W. D. Baldwin
Assistant General Manager

Mr. J. L. Wright
Treasurer

Mr. I. D. Disbery
Secretary to the Board

MUNICIPAL FINANCING CORPORATION OF SASKATCHEWAN

HISTORY AND CURRENT HIGHLIGHTS – 1990

The Municipal Financing Corporation of Saskatchewan (the Corporation) was established to assist in making capital funds available for the financing of school, hospital and other essential construction and local improvement projects in cities, towns, villages and rural areas throughout the Province. The Corporation may borrow directly from private lending institutions or through the Department of Finance. The Corporation uses the funds borrowed to purchase a portion of the authorized debentures sold each year by Saskatchewan local governments.

During the year under review, the Corporation participated in the financing of 34 projects throughout Saskatchewan by purchasing $20.5 million of municipal debentures. At year end the Corporation had outstanding commitments to purchase a further $20 thousand upon delivery of the debentures. The Corporation recorded net earnings of $2.4 million for 1990 which is similar to 1989 net earnings. During 1990, $6.3 million of debentures were approved to finance sewer and water projects, and $14.2 million went to other local improvements.

The Corporation's debenture holdings at December 31, 1990 totalled $156.7 million, up $6.5 million from the total at December 31, 1989.

The Municipal Financing Corporation of Saskatchewan is administered by a Board of Directors through the use of staff and facilities provided by the Department of Finance and Crown Management Board of Saskatchewan (CMB). The Corporation paid $22 thousand in 1990 for administration, which included reimbursement of the costs to CMB of providing administrative services, and also for audit fees. The Municipal Financing Corporation of Saskatchewan made no payments to the Department of Finance for administrative charges. The Directors do not receive fees and, with the exception of interest paid on borrowed funds, the Corporation had no other expenses in the current year. A table showing results of operations for the year under review, as compared to the previous year, is set out on page 5. A detailed listing of debenture purchases in the current year is presented in schedular form on page 6.

MUNICIPAL FINANCING CORPORATION OF SASKATCHEWAN

Comparative Table of Operations
For the Year Ended December 31

	1990	1989
	(thousands of dollars)	
Amount of debentures approved by the Corporation (net of subsequent reductions)	$ 17,424	$ 13,144
Prior year's purchase commitments carried forward	3,069	2,425
Total purchase commitments for the year	20,493	15,569
Purchases completed	(20,473)	(12,500)
Purchase commitments outstanding at the year end	$ 20	$ 3,069

MUNICIPAL FINANCING CORPORATION OF SASKATCHEWAN

Debentures Purchased in 1990
(thousands of dollars)

Buffalo Plains School Division No. 21	$ 742
City of Melville	770
City of Swift Current	662
City of Swift Current	500
City of Swift Current	154
City of Yorkton	3,000
Eastend School Division No. 8	536
Estevan Roman Catholic School Division No. 27	439
Estevan Roman Catholic School Division No. 27	515
Herbert School Division No. 79	487
Herbert School Division No. 79	677
Kindersley School Division No. 34	795
Lady Minto Union Hospital	150
Long Lake School Division No. 30	377
Meadow Lake School Division No. 66	2,322
North Battleford Roman Catholic School Division No. 16	666
Prairie View School Division No. 74	110
Prince Albert Roman Catholic School Division No. 6	1,301
Rosetown School Division No. 43	568
Saskatchewan Valley School Division No. 49	1,716
Saskatoon (West) School Division No. 42	253
Town of Carnduff	57
Town of Carrot River	160
Town of Foam Lake	168
Town of Gravelbourg	207
Town of Kerrobert	468
Town of Kindersley	63
Town of Martensville	250
Town of Radisson	64
Town of Redvers	663
Town of Wadena	120
Turtleford School Division No. 65	1,307
Village of Belle Plaine	41
Village of White City	165
	$ 20,473

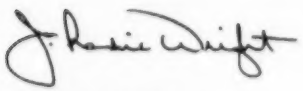
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Management has prepared the financial statements of the Municipal Financing Corporation of Saskatchewan in accordance with generally accepted accounting principles applied on a consistent basis with that of the previous year. The financial data included elsewhere in this report is consistent with the financial statements and the underlying information from which these financial statements were prepared.

Management has the primary responsibility for the integrity and objectivity of the financial statements. To fulfill this responsibility, the Corporation maintains appropriate systems of internal controls, policies and procedures to provide reasonable assurance that assets are safeguarded and that the books and records reflect the authorized transactions of the Corporation.

E.J.C. Dudley & Co., the Corporation's external auditors, have reviewed the systems of internal control and audited the financial statements in accordance with generally accepted auditing standards to enable them to express their opinion on the financial statements. Their report appears on the following page.

The financial statements have been examined and approved by the Board of Directors.



J. Leslie Wright
Treasurer

AUDITORS' REPORT

To the Members of the Legislative Assembly
Province of Saskatchewan

We have audited the statement of financial position of the Municipal Financing Corporation of Saskatchewan as at December 31, 1990 and the statements of operations and reinvested earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1990 and the results of its operations and the changes in its cash resources for the year then ended in accordance with generally accepted accounting principles.

E J C Dudley + Co.

Regina, Canada
February 13, 1991

Chartered Accountants

MUNICIPAL FINANCING CORPORATION OF SASKATCHEWAN

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31

	1990	1989
	(thousands of dollars)	
ASSETS		
Current Assets		
Cash	$ 113	$ 316
Interest receivable	7,052	6,897
	7,165	7,213
Investments in municipal debentures, at amortized cost (Market value 1990 – $161,205; 1989 – $155,608)	156,737	150,223
Debt issue costs	112	277
	$164,014	$157,713
LIABILITIES AND PROVINCE'S EQUITY		
Current Liabilities		
Notes payable – Province of Saskatchewan	$ 31,100	$ 16,000
Accounts payable and accrued liabilities	3,816	5,145
Debentures payable within one year	7,000	37,014
	41,916	58,159
Long-term debentures payable (Note 3)	108,489	88,363
Commitments (Note 4)		
Province of Saskatchewan's Equity		
Reinvested earnings	13,609	11,191
	$164,014	$157,713

(See accompanying notes)

MUNICIPAL FINANCING CORPORATION OF SASKATCHEWAN

STATEMENT OF OPERATIONS AND REINVESTED EARNINGS FOR THE YEAR ENDED DECEMBER 31

	1990	1989
	(thousands of dollars)	
Revenue		
Investment income	$ 18,811	$ 18,718
Expenses		
Interest on long-term debt	13,329	13,156
Interest on short-term debt	2,877	2,733
Amortization of debt issue costs	165	388
Administration	22	29
	16,393	16,306
Net earnings	2,418	2,412
Reinvested earnings, beginning of year	11,191	8,779
Reinvested earnings, end of year	$ 13,609	$ 11,191

(See accompanying notes)

MUNICIPAL FINANCING CORPORATION OF SASKATCHEWAN

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31

	1990	1989
	(thousands of dollars)	
Cash provided by (used in) operating activities		
Net earnings	$ 2,418	$ 2,412
Add charges to operations not requiring a current cash payment:		
Amortization of discounts and premiums	33	27
Amortization of debt issue costs	165	388
	2,616	2,827
Net change in non-cash working capital balances related to operations*	(1,484)	353
Cash provided by operating activities	1,132	3,180
Cash provided by (used in) investment activities		
Purchase of municipal debentures	(20,542)	(12,551)
Proceeds from maturing municipal debentures	13,995	10,868
Cash used in investment activities	(6,547)	(1,683)
Cash provided by (used in) financing activities		
Additions to (repayment of) notes payable - Province of Saskatchewan	15,100	(21,500)
Additions to long-term debt	27,126	28,653
Repayment of long-term debt	(37,014)	(8,500)
Cash provided by (used in) financing activities	5,212	(1,347)
Net increase (decrease) in cash during the year	(203)	150
Cash position, beginning of year	316	166
Cash position, end of year	$ 113	$ 316

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* Net change in non-cash working capital balances related to operations

(Increase) decrease in interest receivable	$ (155)	$ 44
Increase (decrease) in accounts payable	(1,329)	309
	$ (1,484)	$ 353

(See accompanying notes)

MUNICIPAL FINANCING CORPORATION OF SASKATCHEWAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1990

1. Significant Accounting Policies

The Corporation's accounting policies are in accordance with generally accepted accounting principles. The following are considered to be significant:

Investments in Municipal Debentures

Investments in municipal debentures are carried at amortized cost. The Corporation often purchases debentures at a premium or discount where the interest rate yield required by the Corporation varies from the coupon interest rate offered by the local governments. Premiums and discounts in excess of $250 on the investment's purchase date are amortized to income using the straight-line method over the life of the investment. In this way effective income derived from each debenture is adjusted to equal the Corporation's required yield for that debenture to its maturity.

Debt Issue Costs

Debt issue costs are carried at cost less accumulated amortization to date. Debt issue costs are amortized on a straight-line basis over the life of the related debt.

2. Status of the Corporation

The Municipal Financing Corporation of Saskatchewan was established in 1969 pursuant to the provisions of **The Municipal Financing Corporation Act**.

The Corporation is a Provincial Crown corporation and therefore not subject to Federal or Provincial income tax.

3. Long-Term Debentures Payable

Maturity Date	Interest Rate (per cent)	1990	1989
		(thousands of dollars)	
March 28, 1990	7.400	$ –	$28,014
June 1, 1990	9.250	–	2,000
June 17, 1990	11.750	–	1,000
December 15, 1990	12.750	–	4,000
December 31, 1990	15.875	–	2,000
April 1, 1991	9.875	1,000	1,000
December 20, 1991	9.500	1,000	1,000
December 31, 1991	15.875	5,000	5,000

3. **Long-Term Debentures Payable (continued)**

Maturity Date	Interest Rate (per cent)	1990	1989
		(thousands of dollars)	
February 28, 1992	10.750	$ 26,710	$ 26,710
April 1, 1992	9.875	1 000	1,000
December 15, 1992	9.125	1,000	1,000
December 20, 1992	9.500	1,000	1,000
December 31, 1992	15.875	3,000	3,000
October 15, 1993	9.750	2,000	2,000
October 16, 1993	9.625	1,000	1,000
October 15, 1994	9.750	1,000	1,000
October 16, 1994	9.625	1,000	1,000
December 15, 1994	9.250	1,000	1,000
December 20, 1994	9.625	1,000	1,000
June 1, 1995	9.500	1,000	1,000
November 1, 1995	9.625	1,000	1,000
December 15, 1995	9.250	1,000	1,000
November 1, 1996	9.625	1,000	1,000
December 20, 1996	9.750	1,000	1,000
November 1, 1997	9.625	1,000	1,000
December 15, 1997	12.750	1,500	1,500
December 20, 1997	9.750	1,000	1,000
June 17, 1999	12.000	1,000	1,000
June 17, 2000	12.000	1,000	1,000
December 15, 2002	12.875	2,500	2,500
May 10, 2009*	10.170	24,053	24,053
June 5, 2009*	10.010	4,600	4,600
March 1, 2010*	9.780	10,855	–
April 2, 2010*	10.360	16,271	–
		115,489	125,377
Repayment required within one year		7,000	37,014
Net long-term debentures payable		$108,489	$ 88,363

* Certain issues received from the Province of Saskatchewan in the amount of $55.779 million (1989 – $28.653 million) are subject to redemption on six months notice.

Principal payments due on long-term debt for the next five years are as follows (in thousands of dollars):

1991	$ 7,000	1994	$ 4,000
1992	$32,710	1995	$ 3,000
1993	$ 3,000		

4. Commitments

Prior to December 31, 1990 the Board of Directors had approved the purchase of debentures from certain local governments of which $20 thousand were not purchased before the year end.

5. Related Party Transactions

Included in these financial statements are expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown controlled departments, agencies and corporations with which the Corporation is related. Account balances resulting from these transactions are included in the statement of financial position and are settled on normal trade terms.

Other amounts due to related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

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